

**Management Agreement
Addendum
Section 232**

**U.S. Department of Housing
and Urban Development**
Office of Residential
Care Facilities

OMB Approval No. 2502-0605
(exp. 03/31/2018)

Public reporting burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

THIS HUD ADDENDUM TO MANAGEMENT AGREEMENT (this “**Addendum**”), dated as of _____, 20__ is attached to and made part of the foregoing management agreement (the “**Agreement**”) entered into by _____ (the “**Owner/Operator**”) and _____ (the “**Management Agent**”), and amends or supplements the Agreement. For so long as the United States Department of Housing and Urban Development (“**HUD**”) is the holder or insurer of any indebtedness (the “**FHA Loan**”) secured by the facility identified on Schedule 1 attached hereto (the “**Project**”), the provisions of this Addendum shall apply to the Agreement. In the event of any conflict between the terms of this Addendum and the Agreement, the terms of this Addendum shall govern and control.

1. The Management Agent shall deliver and update as required for so long as the Agreement remains in effect a HUD Management Agent Certification—Residential Care Facilities (form HUD-9839-ORCF), or such other form as HUD may develop from time to time for similar purposes (the “**Management Certification**”). The Management Agent’s compliance with the Management Certification is a material term of the Agreement. It is the express intention of the parties that the Agreement and this Addendum be construed in strict accordance with the Management Certification and all Program Obligations.

2. The Agreement shall terminate immediately and without penalty if so directed by HUD based upon any of the following:

- a. An event of default occurs under the terms of the note or security instrument securing the FHA Loan.
- b. HUD assumes control of the Project as a mortgagee in possession.
- c. HUD determines that any of the certificates of need, bed authority, provider agreements, licenses, permits, and approvals necessary to operate the Project or to fund the operations of the Project (collectively, the “**Permits and Approvals**”) are at substantial and imminent risk of being terminated, suspended or otherwise restricted, and that such termination, suspension, or other restriction would have a materially adverse effect on the Project.

3. The Agreement shall terminate without penalty thirty (30) days after HUD has mailed to Owner/Operator written notice of HUD's desire to terminate the Agreement based upon any of the following:

- a. Any failure of the Management Agent to comply with the provisions of the Management Certification;
- b. The violation of any regulatory agreement entered into by HUD with the Project's owner, operator, master-tenant, or subtenant in connection with the FHA Loan; or
- c. Other good cause.

4. Notwithstanding any contrary provision of the Agreement, the notice period for any termination of the Management Agent for good cause initiated by the Owner/Operator shall not exceed a maximum of thirty (30) days.

5. Upon HUD's request for termination, Owner/Operator shall immediately arrange to terminate the Agreement and shall make arrangements satisfactory to HUD for the continuing proper management of the Project. In the event of termination of the Agreement, the Management Agent will not more than thirty (30) days later turn over to Owner/Operator all of the Project's real and personal property in the Management Agent's possession or control including, without limitation, any of the Project's cash, trust accounts, investments, books, and records. The Management Agent shall fully cooperate in the Project's transition to new management as retained by the Owner/Operator in accordance with Program Obligations and take all actions within the Management Agent's purview necessary to (i) provide for an orderly transition; (ii) maintain normal operations; (iii) avoid the displacement of residents; and (iv) ensure no adverse effects to the Project with respect to the Permits and Approvals.

6. The Agreement shall not be assigned or materially amended without the prior written approval of HUD. A material amendment shall include, without limitation, an increase in any management fees or other payments payable by the Owner/Operator as described in the Management Certification, a decrease in the services to be provided by the management agent hereunder, any alteration affecting compliance with Program Obligations, or any alteration or modification whatsoever to this Addendum.

7. The Management Agent shall not be the owner or holder of any of the Permits and Approvals, nor hold any security interest therein, without obtaining HUD's prior written consent. In the event the Management Agent becomes the owner or holder of any of the Permits and Approvals, the Management Agent shall immediately enter into a regulatory agreement in the form prescribed by HUD and shall be subject to all Program Obligations as applicable to facility operators. The Management Agent shall perform its obligations under the Agreement in compliance with all applicable requirements of the Permits and Approvals. The Management Agent shall take no direct or indirect action to convey, assign, encumber, transfer, or alienate from the Project any of the Permits and Approvals.

8. In the event of any conflict between the Agreement and Program Obligations, Program Obligations shall govern and control. “**Program Obligations**” means (i) all applicable statutes and any regulations issued by HUD pursuant thereto that apply to the Project, including all amendments to such statutes and regulations, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and (ii) all current requirements in HUD handbooks and guides, notices, and mortgagee letters that apply to the Project, and all future updates, changes and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes and amendments shall be applicable to the Project only to the extent that they interpret, clarify and implement terms in this Agreement rather than add or delete provisions from such document. Handbooks, guides, notices, and mortgagee letters are available on HUD’s official website: <http://www.hud.gov/offices/adm/hudclips/index.cfm> or a successor location to that site.

9. All fees, incentives, bonuses and other consideration described in the Agreement must be computed and paid in accordance with Program Obligations. In no event shall the Management Agent have rights to, or claims on funds owed to the Owner/Operator.

10. The Management Agent shall have no right of indemnification from liability for any act of its own gross negligence and/or willful misconduct. Except as otherwise approved by HUD in writing, no other indemnity, right of subrogation, or hold harmless provision provided in the Agreement for the benefit of the Management Agent shall have any force or effect.

11. The Management Agent shall maintain its books, records, and accounts as they pertain to the operations of the Project (the “**Records**”) in accordance with Program Obligations including, without limitation, the applicable requirements of Section 19 of the Healthcare Regulatory Agreement—Borrower (form HUD-92466-ORCF) (the “**Owner’s Regulatory Agreement**”), the Management Certification, and, if the Project’s owner and operator are legally distinct entities, Section 20 of the Healthcare Regulatory Agreement—Operator (form HUD-92466A-ORCF) (the “**Operator’s Regulatory Agreement**”). The Management Agent shall provide to HUD and the Owner/Operator any Records or other information related to the Project in its possession and necessary for the Owner/Operator to satisfy its financial reporting obligations. All Records of the Management Agent shall be available for examination by HUD or its authorized representatives at the Project or such other location as may be mutually agreed. Upon request of HUD or its authorized representatives, the Management Agent shall provide legible copies of any Records. All access, documents, materials, and copies required to be provided by this Section 11 shall be provided in accordance with the applicable timeframes mandated by the Owner’s Regulatory Agreement, the Management Certification, and/or the Operator’s Regulatory Agreement and, if no specific timeframe has been established, then within a reasonable time.

12. Should the duties of the Management Agent include resident care and services, the Management Agent shall maintain professional liability insurance in compliance with the requirements set forth in Program Obligations. The Management Agent shall provide a

certification of compliance with this requirement annually to HUD. Such certification shall be attached to an Acord or certified copy of the insurance policy.

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THIS ADDENDUM was entered the _____ day of _____, 20____.

MANAGEMENT AGENT

[Management Agent]

Authorized Representative

OWNER/OPERATOR

[Owner/Operator]

Authorized Representative

SCHEDULE 1

Facility	FHA Project #	Address